# APS 330 Public Disclosure of Prudential Information

The information in this report is prepared quarterly based on the ADI financial records. The financial records are not audited for the Quarters ending 30 September, 31 December, and 31 March.

The report as at the 30 June is based on financial statements as audited as at the 30 June 2015.

## 1. Detailed Capital Disclosure Template (APS 330 Attachment A)

The details of the components of the capital base are set out below as at the financial year ended 30 June 2015.

The following table 1 sets out the elements of the capital held by CMCU including the reconciliation of any adjustments required by the APRA Prudential Standards to the audited financial statements. Adjustments are usually in the form of deductions of assets not regarded as recoverable in the short term (such as intangible assets and deferred tax assets), and/or discounts made to eligible capital of a short term nature. Central Murray Credit Union (CMCU) is using the post 1 January 2018 common disclosure template as it is fully applying the Basel III regulatory adjustments as implemented by APRA.`

## Table 1: Detailed Capital Disclosure Template (APS 330 Attachment A)

| | **Common Equity Tier 1 : Instruments & Reserves** | **30th June 2015 $** | **Reconciliation Table Reference** |
|---|---|---|---|
| 1 | Directly issued qualifying ordinary shares | | |
| 2 | Retained Earnings including current year earnings | 4,390,530 | |
| 3 | Accumulated other disclosed reserves | 985,767 | Table A |
| 4 | Directly issued capital subject to phase out from CET1 | | |
| 5 | Ordinary share capital issued by subsidiaries and held by third parties | | |
| 6 | **Common Equity Tier 1 capital before regulatory adjustments** | **5,376,297** | |
| | **Common Equity Tier 1 capital : regulatory adjustments** | | |
| 7 | Prudential valuation adjustment | | |
| 8 | Goodwill (net of related tax liability) | | |
| 9 | Other intangibles other than mortgage servicing rights | 67,213 | |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences | | |
| 11 | Cash-flow hedge reserve | | |
| 12 | Shortfall of provision to expected losses | | |
| 13 | Securitisation gain on sale | | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | | |
| 15 | Defined benefits superannuation fund net assets | | |
| 16 | Investments in own shares | | |
| 17 | Reciprocal cross-holdings in common equity | | |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital | 125,516 | Table B |
| 19 | Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions | | |
| 20 | Mortgage service rights | | |
| 21 | Deferred tax assets arising from temporary differences | | |
| 22 | Amount exceeding the 15% threshold | | |
| 23 | of which : significant investments in the ordinary shares of financial assets | | |
| 24 | of which : mortgage servicing rights | | |
| 25 | of which : deferred tax assets arising from temporary differences | | |
| 26 | National specific regulatory adjustments | 4,573 | |
| 26a | of which : treasury shares | | |
| 26b | of which : offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI | | |
| 26c | of which : deferred fee income | | |

| | | | |
|---|---|---|---|
| 26d | of which : equity investments in financial institutions not reported in rows 18,19 and 23 | | |
| 26e | of which : deferred tax assets not reported in rows 10, 21 and 25 | - | Table C |
| 26f | of which : capitalised expenses | | |
| 26g | of which : investments in commercial (non financial) entities that are deducted under APRA prudential requirements | 4,573 | Table B |
| 26h | of which : covered bonds in excess of asset cover in pools | | |
| 26i | of which : under capitalisation of a non-consolidated subsidiary | | |
| 26j | of which : other national specific regulatory adjustments not reported in rows 26a to 26i | | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | | |
| 28 | **Total regulatory adjustments to Common Equity Tier 1** | **197,303** | |
| 29 | **Common Equity tier 1 Capital (CET1)** | **5,178,995** | |
| | **Additional Tier 1 Capital Instruments** | | |
| 30 | Directly issued qualifying Additional Tier 1 instruments | | |
| 31 | of which : classified as equity under applicable accounting standards | | |
| 32 | of which : classified as liabilities under applicable accounting standards | | |
| 33 | Directly issued capital instruments subject to phase out from Additional Tier 1 | | |
| 34 | Additional Tier 1 instruments issued by subsidiaries and held by third parties | | |
| 35 | of which : instruments issued by subsidiaries subject to phase out | | |
| 36 | Additional Tier 1 Capital before regulatory adjustments | | |
| | **Additional Tier 1 Capital : regulatory adjustments** | | |
| 37 | Investments in own Additional Tier 1 instruments | | |
| 38 | Reciprocal cross-holdings in Additional Tier 1 instruments | | |
| 39 | Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of issued share capital (amount above 10% threshold) | | |
| 40 | Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions | | |
| 41 | National specific regulatory adjustments | - | |
| 41a | of which : holdings of capital instruments in group members by other group members on behalf of third parties | | |
| 41b | of which : investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40 | | |
| 41c | of which : other national specific regulatory adjustments not reported in rows 41a and 41b | | |
| 42 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | | |
| 43 | **Total regulatory adjustments to Additional Tier 1 Capital** | - | |
| 44 | **Additional Tier 1 Capital (AT1)** | - | |
| 45 | **Tier 1 Capital (T1=CET1+AT1)** | **5,178,995** | |
| | **Tier 2 Capital : instruments and provisions** | | |
| 46 | Directly issued qualifying Tier 2 instruments | | |
| 47 | Directly issued capital instruments subject to phase out from Tier 2 | | |
| 48 | Tier 2 instruments issued by subsidiaries and held by third parties | | |
| 49 | of which : instruments issued by subsidiaries subject to phase out | | |
| 50 | Provisions | 174,889 | Table A |
| 51 | **Tier 2 Capital before regulatory adjustments** | **174,889** | |
| 52 | Investments in own Tier 2 instruments | | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments | | |
| 54 | Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital | | |
| 55 | Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions | | |
| 56 | National specific regulatory adjustments | - | |
| 56a | of which : holdings of capital instruments in group members by other group members on behalf of third parties | | |

| | | |
|---|---|---|
| 56b | of which : investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 54 and 55 | |
| 56c | of which : other national specific regulatory adjustments not reported in rows 56a and 56b | |
| 57 | **Total regulatory adjustments to Tier 2 capital** | **-** |
| 58 | **Tier 2 capital (T2)** | **174,889** |
| 59 | **Total capital (TC=T1+T2)** | **5,353,883** |
| 60 | **Total risk weighted assets based on APRA standards** | **32,154,844** |
| | **Capital ratios and buffers** | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 16.11% |
| 62 | Tier 1 (as a percentage of risk weighted assets) | 16.11% |
| 63 | Total Capital (as a percentage of risk weighted assets) | 16.65% |
| 64 | Institution - specific buffer requirement | 7.00% |
| 65 | of which : capital conservation buffer requirement | 2.50% |
| 66 | of which : ADI-specific countercyclical buffer requirements | - |
| 67 | of which : G-SIB buffer requirement | - |
| 68 | Common Equity Tier 1 available to meet buffers ( as a percentage of risk-weighted assets) | 8.11% |
| | **National minima (if different from BASEL 111)** | |
| 69 | National minima (if different from BASEL 111) | |
| 70 | National Tier 1 minimum ratio | |
| 71 | National total capital minimum ratio - amount below threshold for deductions (not risk weighted) | |
| 72 | Non-significant investments in the capital of other financial entities | |
| 73 | Significant investments in the ordinary shares of financial entities | |
| 74 | Mortgage servicing rights | |
| 75 | Deferred tax assets arising from temporary differences | |
| | **Applicable caps on the inclusion of provisions in Tier 2** | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach | |
| 79 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | |
| | **Capital instruments subject to phase out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)** | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | |
| 81 | Amount excluded from CET1 due to cap | |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | |
| 83 | Amount excluded from AT1 instruments due to cap | |
| 84 | Current cap on T2 instruments subject to phase out arrangements | |
| 85 | Amounts excluded from T2 due to cap | |

## Table 1.1: Regulatory Balance Sheet

| | Audited Balance Sheet | adjustments | Regulatory Balance Sheet | Reconciliation Table Reference |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | 15,233,789 | | 15,233,789 | |
| Other receivables | 51,618 | -51,618 | 0 | |
| Loans and other advances | 48,295,439 | -178,799 | 48,116,640 | |
| Other financial assets | 130,089 | | 130,089 | Table B |
| Property, plant and equipment | 1,723,692 | | 1,723,692 | |
| Intangible assets | 67,214 | | 67,214 | Row 9 |
| Deferred tax assets | 55,122 | -55,122 | 0 | |
| Other assets | 95,763 | 93,553 | 189,316 | |
| **TOTAL ASSETS** | 65,652,726 | -191,986 | 65,460,740 | |
| **LIABILITIES** | | | | |
| Member deposits | 58,889,216 | -65,575 | 58,823,641 | |
| *Member Shares* | | *42,716* | 42,716 | |
| Trade and other payables | 993,766 | -8,695 | 985,071 | |
| Income tax payable/(refundable) | 11,248 | 60,120 | 71,368 | |
| Employee benefits | 143,277 | 18,367 | 161,644 | |
| Deferred tax liabilities | 60,120 | -60,120 | 0 | |
| **TOTAL LIABILITIES** | 60,097,627 | -13,187 | 60,084,440 | |
| **NET ASSETS** | 5,555,099 | -178,799 | 5,376,300 | |
| **EQUITY** | | | | |
| Reserves | 1,200,332 | -214,565 | 985,767 | Table A |
| Retained Profits | 4,354,767 | 35,766 | 4,390,533 | |
| **TOTAL EQUITY** | 5,555,099 | -178,799 | 5,376,300 | |

## Table 1.2: Main Features of Capital Instruments

| | |
|---|---|
| Main features of Capital Instruments | Nil |

## Table 1.3: Regulatory Capital Reconciliation

**Table A**

| **Accumulated other disclosed reserves** | | |
|---|---|---|
| General reserves | 550,000 | Row 3 |
| Asset revaluation reserves | 435,767 | Row 3 |
| Member redemption reserve | 35,766 | Row 3 |
| General reserves for credit losses | 178,799 | Row 50 |
| **Total per Balance Sheet** | 1,200,332 | |

**Table B**

| **Other Financial Assets** | | |
|---|---|---|
| Equity Investments | 125,516 | Row 18 |
| Investments in commercial entities | 4,573 | Row 26g |
| **Total per Balance Sheet** | 130,089 | |

**Table C**

| **Deferred Tax Assets** | | |
|---|---|---|
| Deferred Tax Assets per Balance Sheet | - | |
| Less General Reserve for credit losses Tax adjustment | - | |
| Less deferred tax liability per Balance sheet | - | |
| **Net Deferred Tax Assets** | - | Row 26e |

# Risk Exposures and Assessment

CMCU has adopted the standardised approach to both credit and operational risk since 1 January 2008 in order to calculate its minimum capital requirements. CMCU maintains a capital policy level of a minimum of 13%, our current level of capital is 15.94%.

The risk weighted assets as set out in the table below are adopted from APRA Prudential Standard APS112. CMCU uses the standardised approach to both credit and operational risk.

## Table 2: Risk Weighted Assets by Asset Class

| | 31st March 2016 $ | 31st December 2015 $ |
|---|---|---|
| **Capital requirements for credit risk by portfolio** | | |
| > Loans - secured by residential mortgage | 17,562,414 | 17,535,240 |
| > Loans - other retail | 5,320,924 | 5,206,317 |
| > Liquid investments | 3,784,665 | 2,855,236 |
| > all other assets | 1,990,405 | 2,010,930 |
| **Total credit risk on balance sheet** | **28,658,408** | **27,607,723** |
| **Total credit risk off balance sheet (commitments)** | **1,570,943** | **1,624,878** |
| **Capital requirements for securitisation** | **0** | **0** |
| **Capital requirements for market risk** | **0** | **0** |
| **Capital requirements for operational risk** | **3,760,406** | **3,760,406** |
| **Total Risk Weighted Assets** | **33,989,757** | **32,993,007** |

## Table 3: Capital Held by CMCU

| | Capital | | Capital Ratio | |
|---|---|---|---|---|
| | **Mar-16** | **Dec-15** | **Mar-16** | **Dec-15** |
| **Common Equity Tier 1** | 5,242,844 | 5,194,450 | 15.42% | 15.74% |
| **Tier 1** | 5,242,844 | 5,194,450 | 15.42% | 15.74% |
| **Total Capital Ratio** | 5,417,732 | 5,369,339 | 15.94% | 16.27% |

### Credit Risk Exposure

The gross credit risk exposure (based on the definitions for regulatory capital, before credit risk mitigation) is summarised per table 4 and 4A.

The classes of loans entered into by CMCU are limited to loans, commitments and other non-market off-balance sheet exposures. CMCU does not enter into debt securities; and over-the-counter derivatives.

### Impairment

The level of impaired loans by class of loan is set out in Table 4 and 4A.

- Past due loans is the 'on balance sheet' loan balances which are behind in repayments past due by 90 days or more but not impaired.
- Impaired loans are the 'on balance sheet' loan balances which are at risk of not meeting all principle and interest payments over time.
- Specific Provision is the amount of impairment provision allocated to the class of impaired loans
- The charge for write offs in the period equate to the additional provisions set aside for impaired loans, bad debts written off in excess of previous provision allowances.

Impaired loans are generally not secured against residential property. Some impaired loans are secured by goods security agreements over motor vehicles or other assets of varying value. It is not practical to determine the fair value of all collateral as at balance date due to the variety of assets and condition.

## Table 4: Credit Risk

**Risk Exposure and Capital Adequacy as at 31st March 2016**

| | Gross Amount $ | Average Amount $ | Risk Weighted Amounts $ | Impaired Facilities $ | 90 Days Past due $ | Specific Provision Balance $ | Charge for Specific Provisions and Write Offs During the period $ |
|---|---|---|---|---|---|---|---|
| Loans - secured by residential mortgage | 45,405,424 | 44,661,351 | 17,562,414 | 552,695 | 0 | 34,151 | |
| Loans - other retail | 5,320,924 | 5,148,703 | 5,320,924 | 19,440.79 | 0 | 62 | 0 |
| Off-Balance Sheet Risk | 11,207,533 | 11,441,974 | 1,570,943 | | | | |
| **Total Loans** | **61,933,880** | **61,252,029** | **24,454,281** | **572,136** | **0** | **34,213** | **0** |
| Cash and Liquid Assets | 1,041,524 | 1,011,750 | 0 | | | | |
| Investment Securities & Other Deposit | 17,433,962 | 14,391,840 | 3,784,665 | | | | |
| **Total Liquid Investments** | **18,475,486** | **15,403,589** | **3,784,665** | **0** | **0** | **0** | **0** |
| Other Assets | 2,012,874 | 1,982,241 | 1,990,405 | | | | |
| **Total Credit Risk** | **82,422,241** | **78,637,859** | **30,229,351** | **572,136** | **0** | **34,213** | **0** |
| Operational Risk | 3,760,406 | 3,747,100 | 3,760,406 | | | | |
| **Grand Total Risk Weighted Assets** | **86,182,647** | **82,384,959** | **33,989,757** | **572,136** | **0** | **34,213** | **0** |

## Table 4A: Credit Risk

**Risk Exposure and Capital Adequacy as at 31st December 2015**

| | Gross Amount $ | Average Amount $ | Risk Weighted Amounts $ | Impaired Facilities $ | 90 Days Past due $ | Specific Provision Balance $ | Charge for Specific Provisions and Write Offs During the period $ |
|---|---|---|---|---|---|---|---|
| Loans - secured by residential mortgage | 45,515,303 | 43,847,955 | 17,535,240 | 557,433 | 557,433 | 16,131 | |
| Loans - other retail | 5,206,317 | 5,165,292 | 5,206,317 | 29,367.39 | 0 | 3,910 | 3,125 |
| Off-Balance Sheet Risk | 11,150,274 | 11,263,386 | 1,624,878 | | | | |
| **Total Loans** | **61,871,894** | **60,276,633** | **24,366,435** | **586,801** | **557,433** | **20,042** | **3,125** |
| Cash and Liquid Assets | 831,068 | 1,130,302 | 0 | | | | |
| Investment Securities & Other Deposit | 12,786,135 | 13,875,459 | 2,855,236 | | | | |
| **Total Liquid Investments** | **13,617,203** | **15,005,761** | **2,855,236** | **0** | **0** | **0** | **0** |
| Other Assets | 2,050,003 | 1,964,786 | 2,010,930 | | | | |
| **Total Credit Risk** | **77,539,100** | **77,247,180** | **29,232,601** | **586,801** | **557,433** | **20,042** | **3,125** |
| Operational Risk | 3,760,406 | 3,725,624 | 3,760,406 | | | | |
| **Grand Total Risk Weighted Assets** | **81,299,505** | **80,972,804** | **32,993,007** | **586,801** | **557,433** | **20,042** | **3,125** |

## General Reserve for Credit Losses

This reserve is set aside to quantify the estimate for potential future losses in the loans and investments.

In addition to the provision of impairment, the Board has recognised the need to make allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future.

The reserve has been determined on the basis of the past experience with the loan delinquency and amounts written off.

The value of the reserve is amended to reflect the changes in economic conditions, and the relevant concentrations in specific regions and industries of employment within the loan book.

## Table 5: General Reserve for Credit Losses

| | March 2016<br>$ | December 2015<br>$ |
|---|---|---|
| **Balance** | 178,799 | 178,799 |

## Securitisation Exposures

The following table includes a summary of the total amount of exposures securitised, securitisation activity for the current period and amounts of securitisation exposures retained or purchased.

## Table 6: Securitisation Exposure

| | 31st March 2016<br>$ | 31st December 2015<br>$ |
|---|---|---|
| Securitised loans for the period | Nil | Nil |
| Off – Balance Sheet securitised housing loans | Nil | Nil |

## APS 330 Remuneration Disclosures

Remuneration Disclosures in accordance with requirements of Attachment E of Prudential Standard APS330 – Public Disclosure

**a) Overview**

The Board of CMCU has established a Board Audit Committee "the Committee" who have the responsibility to:

- Make annual recommendations to the Board, consistent with the Remuneration Policy, on the remuneration of: the Chief Executive Officer, direct reports of the CEO; and any other person as per the Remuneration Policy.
- Conduct regular reviews of, and make recommendations to the Board on, the Remuneration Policy.
- Undertake such other functions in relation to the remuneration arrangements of CMCU as the Board may from time to time delegate to the Committee.

The Committee may make use of external consultants in undertaking its role.

Senior managers for the purpose of this disclosure include the CEO and Senior Management. There are currently three employees within this group. There are no employees outside this group that are considered material risk takers as defined in paragraph 17 of APS 330.

## b) Remuneration Policy

The objectives of CMCUs remuneration policy is to:

- Attract and retain capable, motivated managers and staff;
- Have managers with strategic vision, able to drive growth while maintaining stability and financial soundness of CMCU;
- Provide incentives for outstanding performance;
- To encourage behaviour that supports CMCU's long term risk management framework;
- To ensure that managers responsible for compliance and risk management are not compromised in the performance of their functions; and
- To ensure that CMCU's remuneration arrangements are, and remain compliant with corporate governance requirements, including requirements under CPS510.

To achieve these objectives the Remuneration Policy for senior managers allows for a remuneration structure comprising of fixed base component.

<u>Fixed based component</u>

The fixed components of the remuneration of persons covered by the Remuneration Policy consist of base salary, leave loading, superannuation benefits, and retirement benefits. CMCU may, in addition, provide other benefits such as mobile phones, home office facilities.

Fixed Remuneration is reviewed annually and increases in remuneration are based on a person's performance assessed against individual KPI's and job description. The remuneration increases are capped at the annual CPI rate plus 5%. There is no guarantee increases in fixed remuneration will occur, or that the full increase will be provided.

The Committee reviews the Remuneration Policy on an annual basis. No material changes were made to the policy in the past financial year.

## c) Quantitative disclosures per APS 330

| | |
|---|---|
| Number of meetings of the Committee with regards to remuneration | 1 |
| Number of fixed base component payments | 3 |
| Number and total guaranteed bonuses award during the financial year | Nil |
| Number of sign on bonuses made during the financial year | Nil |
| Number and total termination payments made during the financial year | Nil |
| Total amount of deferred remuneration outstanding | Nil |
| Total amount of deferred remuneration paid | Nil |

**Table 18A: Total value of remuneration for senior managers and material risk takers**

**Fixed Remuneration**

| | |
|---|---|
| Cash – Based | $311,965.14 |
| Shares and Share linked instruments | Nil |
| Other | Nil |